

62-3705/1

7448

May 8, 1962

**CONFIDENTIAL**

Dear Senator Fulbright:

In reply to your letter of May 1, there are given below answers keyed to the questions in the letter:

Policies with Respect to Latin America

1. Cuba. The greatest danger from the continued existence of a Castro regime in Cuba is that it supplies a base of Communist power in the Western Hemisphere from which operations may be undertaken to subvert or subjugate other Latin American countries and bring them within the Communist orbit. A second danger is the potential threat to the security of the United States implicit in the control of Cuban territory by a regime aligned with the Sino-Soviet Bloc.

So far as possible we are seeking to guard against both dangers by mobilizing the opposition of the inter-American system. The Organization of American States has now explicitly recognized that the alignment of the Government of Cuba with the Sino-Soviet Bloc and its commitment to extend Communist power in this hemisphere are incompatible with the inter-American system. As a consequence, the OAS has excluded the Castro regime from participation in its proceedings and activities,

rendering

The Honorable

J. William Fulbright,

United States Senate.

STATE review(s) completed

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rendering it a pariah in the inter-American system. The OAS has also taken other measures looking toward more effective means of countering the political and indirect aggression being mounted against Latin America by the Castro regime.

While Cuba is being politically isolated, we ourselves have taken economic measures against it by cutting off trade. We are working to enlist the cooperation of other nations toward the same end.

Although we are concentrating our efforts on mobilizing Latin American support for collective action, we recognize that circumstances could develop in which the United States might have to act alone to protect its security. We continue to adhere to the policy set forth by the President in April last year, when, in his address to the American Society of Newspaper Editors, he stated inter alia, "Any unilateral American intervention, in the absence of an external attack upon ourselves or an ally, would have been contrary to our traditions and to our international obligations. But let the record show that our restraint is not inexhaustible. Should it ever appear that the inter-American doctrine of non-interference merely conceals or excuses a policy of nonaction--if the nations of this hemisphere should fail to meet their commitments against outside Communist penetration--then I want it clearly understood that this Government will not hesitate in meeting its primary obligations, which are to the security of our Nation."

I know of no pressure by any responsible official within the Executive Branch for now undertaking armed action by the United States forces against Cuba. I do not believe any additional comment need be made regarding Ambassador Spruille Braden's testimony on the aid bill.

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The United States Government is neither, by open nor covert means, encouraging the military training in the United States of Cuban refugees. As a part of the over-all effort to assist Cuban refugees, the Department of Defense, in collaboration with the Department of Health, Education and Welfare and with the concurrence of the Department of State, has established a program under which Cuban refugees can, as individuals, apply for voluntary induction in the United States Armed Forces. Since the inauguration of this program in June 1961, somewhat less than 100 Cubans have been inducted. They are serving in various capacities throughout the Armed Forces the same way as any other inductees.

Our policy with respect to Cuban refugees is the same as with respect to other political refugees fleeing oppression; that is, within the limits of our laws and regulations, to provide a haven in the United States.

Prior to the termination of diplomatic and consular relations between the United States and Cuba, Cubans came to the United States with immigrant or non-immigrant visas. Following the break in relations, visas were not available to residents of Cuba. The Immigration and Naturalization Act gives the Secretary of State and the Attorney General, jointly, discretionary authority to waive visa requirements on the basis of unforeseen emergencies in individual cases. In practice, the Visa Office of the Department of State, with the concurrence of the Immigration and Naturalization Service, grants visa waivers. This authority has been exercised in behalf of parents, spouses and minor children of persons already in the United States; of Cuban children coming to the United States for study, either supported by their parents or sponsored by responsible voluntary agencies; of persons whose entry is recommended by a qualified United States Government agency as being in the national interest; and of visitors for urgent business or

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personal affairs. Waivers are also approved for persons whose cases do not meet any of the above criteria, but which involve overriding factors of compassion that the Department accepts as justifying emergency action.

Federal assistance to Cuban refugees in the United States totalled \$22,283,000 during the first three quarters of the fiscal year 1962. The Department of Health, Education and Welfare estimates that the total cost for Federal assistance during the fiscal year 1962 will be approximately \$36,100,000. The refugee program is being financed from contingency funds under the "Act for International Development of 1961". A breakdown of the estimated expenditures for FY 1962 is enclosed.

The United States is not assuming any expense for the maintenance or military training of Cuban refugees outside of the United States.

The role of the CIA with respect to Cuba is that of obtaining and coordinating intelligence from all possible sources within the terms of its statutory authority, and with appropriate coordination with other interested agencies and departments of the Government.

2. Expropriation. The Administration recognizes that the Executive Branch is obligated to protect and advance the interests of the United States all over the world. It recognizes, furthermore, that the property rights of its citizens--whether natural citizens or corporations--are an important American interest entitled to protection against the adverse acts of foreign governments.

The Administration believes, however, that such protection of property rights of United States nationals should be undertaken through methods that are consistent with the protection or advancement of all other aspects of our national interest.

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If a nation expropriates property of an American national without just compensation, that fact would be taken into account as one element entering into the decision with respect to aid to that country.

In our view, however, it would not be wise for the foreign aid legislation to be so drafted as to prohibit automatically assistance to governments that expropriate American properties without just compensation. This view is based on the following considerations:

(a) Some discretion is needed, since, even though such an expropriation may have taken place, there may still be overriding reasons of national interest why some form of aid should be provided. These reasons may relate to the need to maintain stability in a government threatened by a Communist take-over, the need to maintain our influence against elements in the country hostile to us, etc.

(b) The issue of expropriation without just compensation rarely arises in clear-cut form. The determination of "just compensation" is in most instances a complex matter of judgment. Neither the State Department nor the officials immediately charged with the administration of foreign aid are normally in a position to have access to all of the facts or to make the complicated examination necessary for a fully informed judgment. Even in the United States valuation questions are still a source of great controversy within our judicial system. In many cases the only judgment that the State Department is in position to make relates to the adequacy of available procedures for fair-minded judicial review or the possibilities of establishing some objective mechanism for arbitration.

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(c) The enactment of a provision automatically suspending aid would, in our view, provide strong propaganda support for the Communist argument that the Alliance for Progress had been designed as an instrument of American economic imperialism, and that the United States Government intended to employ its contribution to the Alliance for Progress as a weapon with which to interfere in the internal economic affairs of Latin American countries and prevent them from adopting the economic policies of their choosing.

In expressing these views I do not suggest that we are prepared to sit idly by while Latin American countries expropriate the properties of United States nationals without just compensation. It should be noted, for example, that in the recent case of the seizure of the property of the International Telephone and Telegraph Company in Brazil by the Government of Rio Grande do Sul the United States Embassy in Brazil and the State Department in Washington have acted vigorously on behalf of the American nationals concerned.

Our Ambassador has been in regular contact with representatives of the Company in order to be fully informed of their situation and of the ways in which they wished the matter to be settled and conversations with representatives of the Company have also been held in Washington. Reflecting these discussions, our Ambassador has pressed procedural proposals on the Federal Government at the level of the Foreign Minister. This pressure has been supported by representations here to the Ambassador of Brazil. It was given additional support during the conversations which took place while the President and the Foreign Minister of Brazil were in Washington last month. As a result the Federal Government of Brazil has agreed to a procedure which is, in principle, acceptable to the Company, although numerous

details

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details have yet to be worked out. We expect to continue to use our influence to secure prompt action in accordance with this proposal.

If what is meant by your question relating to a "hard line" is the kind of United States governmental intervention rendered in such cases as this recent incident, we wholly approve of it. If, on the other hand, it relates to legislative language requiring automatic denial of foreign assistance in any instance of an expropriation where it is alleged that just compensation has not been offered, we believe, for the reasons stated, that it would be undesirable and would in fact tend to "drive Latin American countries toward Castroism."

We seriously question that "strong expropriation language" of this kind would have much effect on the continued flow of American investment, since we do not think that it would be effective to deter expropriations but would, in fact, contribute to those forces making for instability and irresponsibility. The most important factor in determining the continuance and possible increase of the investment flow will be the success of the Alliance for Progress in helping to bring about politically stable governments and healthy societies in Latin America.

There seems to us to be no inconsistency between opposition to language requiring the automatic cessation of assistance in the event of unjust expropriation and our request for an increase of \$90 million in the authorized face amount of all-risk investment guaranties. We are seeking that increase not because of an anticipated tendency toward more expropriations but because we believe that an increasing flow of new investment will result in an increasing demand for guaranties.

You inquire specifically as to what the Administration believes would happen in Brazil "if Brazil were informed

that

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that governmental aid would be terminated until satisfactory arrangements had been made for compensation for expropriated properties". One could reasonably expect the following consequences:

(a) The Castro Communist elements in Brazil would exploit the United States action effectively for propaganda purposes, as suggested above.

(b) The Brazilian public would respond with overwhelming indignation. Our action would be represented to the Brazilian people as an attempt on the part of the United States to interfere in the internal affairs of Brazil, and specifically to interfere with the functioning of the Brazilian courts, which are entrusted under the Brazilian constitution and laws with the determination of what is "just compensation".

(c) The particular situation in Brazil with respect to the International Telephone and Telegraph properties has arisen because of an expropriation action by a state government of Brazil after extensive negotiations between that government and the company which failed to secure agreement on rates and services. Under the Brazilian constitution the federal government has little more control over such an expropriation action by a state government than the United States Government would have over such action by one of its state governments. However, the federal courts in Brazil are in a position to enforce the constitutional provisions requiring fair compensation for such an expropriation. In this particular case the federal government has gone beyond this and recognized that a decision through the judicial system would be costly and time consuming and it has taken the initiative in attempting to work out other arrangements for

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prompt and fair determination of the amount owed and assurance that it would be paid. Denial of aid to the federal government in these circumstances would clearly embarrass it seriously and would undermine its ability in the future to assist in the correction of any difficulties which might arise as the result of actions by individual states.

3. Guatemala. On February 26, 1962, President Ydigoras issued a public statement to the effect that, in response to an invitation received from Robert High, Mayor of Miami, Florida, he planned to travel to Miami on April 13 to attend a dedication ceremony for a Guatemalan plaque on the Friendship Monument in that city. The statement also indicated that he desired to travel to Washington to address the Council of the Organization of American States on April 17 and also hoped to address the United States Senate.

Several days after announcing his travel plans, President Ydigoras instructed his Foreign Minister to request assistance through out Embassy in Guatemala in arranging for Ydigoras to meet with the United States Congress and to pay a courtesy call on President Kennedy. Our Embassy was subsequently informed that the President would not be available in Washington during the period President Ydigoras had indicated he would be visiting in this city. As an alternative, it was suggested that if President Ydigoras could postpone his arrival here the President would be pleased to have him for luncheon on April 30.

President Ydigoras decided to postpone his visit and accepted the invitation for luncheon with the President on April 30. Arrangements were made for a plane to bring President Ydigoras to Washington from Miami and to return him to New Orleans, his point of departure. As you know,

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arrangements also were made for an informal reception of President Ydigoras on April 30 by members of your Committee.

Disorders occurred in Guatemala City on April 12. On the evening of April 15 President Ydigoras announced on a nationwide TV and radio broadcast that he would cancel his trip to the United States in order not to abandon the country at a critical time. The Guatemalan Foreign Minister on April 16 officially informed our Ambassador to Guatemala that President Ydigoras had been forced by internal developments to cancel his plans to visit Miami, Washington, and New Orleans.

The role of the CIA in Guatemala at this time is limited to the gathering and coordination of information.

#### South Asia

1. As you know, the determination of how much aid the United States should provide to a particular country in any one year is conditioned by a number of elements, including the ability of the country to use and absorb capital assistance effectively, its ability to obtain capital elsewhere, etc. We recognize that some countries have tended to believe--or at least to assert--that the size of American assistance programs may relate inversely to the degree of the friendliness of recipient countries to the United States.

Such an assertion is, of course, not based on fact. Allegations of this kind arise customarily from the desire of recipient countries which are joined with us in military pacts to present a case for especially favorable treatment under our aid legislation. Or they rise from disappointment because our aid for a variety of reasons has been maintained at a lower level than they believe they are entitled to. In addition, such allegations may be founded on an imperfect understanding of our aid programs as well as on the difficulty of making significant comparisons. Comparisons may be made, for example, on the

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basis of asserted need or on the basis of a subjective judgment as to the importance of a country, the size of its population, etc. The comparisons may include or exclude a variety of kinds of assistance, such as long-term and short-term loans, grants, various types of surplus agricultural commodity agreements, etc.

How does our record of assistance compare in the particular cases of India and Pakistan? Although the population of Pakistan is less than one-fourth that of India, direct United States economic assistance to Pakistan since 1946 has totalled about \$1,450 million, as compared with \$3,115 million to India for the same period.

If military aid is also included the comparison is even more strikingly favorable for Pakistan. Since 1946 the United States has made available \$2,015 million in total assistance to Pakistan (including military assistance), whereas the total assistance to India remained at \$3,115 million.

I might also note that the total of \$815,000,000 of United States assistance for India in FY 1963 noted in your letter is not entirely comparable to the figure of \$288,000,000 shown for Pakistan. The figure for India includes the AID program, the Food for Peace program, and proposed Export-Import Bank loans. The figure for Pakistan does not include \$150,000,000 programmed under the Food for Peace program nor \$25,000,000 of Export-Import Bank loans. If these were included, the amount proposed for Pakistan would be approximately \$463,000,000. On a gross per capita basis, this would be somewhat more than double that proposed for India. (I must note that the military assistance program figure for Pakistan, as well as the total of the proposed program for Pakistan, is still classified information.)

As you

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As you know, the proposed aid figures for India have been carefully worked out with the Government of India as well as with other members of the international consortium which has studied and approved India's detailed development plan. In the meetings of the consortium, the United States representatives have indicated a level of aid which they were prepared to present to the Congress. During the FY 1962 presentation, Congress was fully informed of these consortium arrangements and the probable aid contribution that would be indicated on behalf of the United States for the first two years. The level of last year's appropriation was based upon these arrangements.

If the United States were to reduce substantially its contribution now under these arrangements, this would necessarily require a substantial readjustment and reduction of the Indian development plan. It would undoubtedly also lead other members of the consortium to reduce their commitments, since they made those commitments in relation to, and in expectation of, the level of aid which, it was indicated, the United States hoped to provide. A marked reduction in the United States contribution to the India consortium could thus result in bringing about a diminution of the external resources available to India by amounts extending beyond the amount of the American reduction itself. This could have serious adverse effects. It would no doubt seriously set back India's rate of development, and disrupt its economy at a time when India is just making real progress in serving as a test of the possibilities achievable through a free society as compared with the failures of Communist China. It would also seriously affect the political stability of India and thus the stability of the entire South Asian area.

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I hope that the foregoing comments are useful to the Committee. We shall, of course, be glad to furnish any additional information you may require. I am enclosing a sufficient number of copies to make one available to each member of the Committee.

Sincerely yours,

/s/ George W. Ball

Acting Secretary

Enclosures:

1. Breakdown of estimated Cuban refugee program expenditures for FY 1962.
2. Copies of this letter for Distribution to the Committee.

G:UAJohnson  
U:GWBall/vh  
5/8/62

S/S-RO

MAY 8 1962

A true copy of signed original

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cc To H, ABA/EST,  
3, 5, 8, 11, RF.

Federal Assistance to Cuban Refugees  
Breakdown of Estimated Annual Cost  
Fiscal Year 1962

|   |                  |
|---|------------------|
| A. Financial assistance to meet basic maintenance requirements of needy Cuban refugees.   | \$18,554,000     |
| B. Financial assistance to meet the cost of resettlement and the provision of employment outside the Miami area.  | 3,288,000        |
| C. Financial assistance for the care of unaccompanied children.   | 5,638,000        |
| D. Health services, including medical examinations, emergency outpatient care and long time cost of hospitalization for persons suffering from tuberculosis and mental disorders.   | 1,053,000        |
| E. Financial assistance for education, including (1) funds to meet extra expenses which Miami schools have had to assume in order to accommodate Cuban refugee children, (2) loans to college students, and (3) training for persons seeking employment in the United States, including instruction in spoken English and retraining for professions. | 5,000,000        |
| F. The distribution of surplus commodities.   | 137,000          |
| G. Reception, registration and classification of refugees, Florida state administrative costs, and assistance to resettled refugees.  | <u>2,430,000</u> |
| TOTAL   | \$36,100,000     |

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JOHN SPARKMAN, ALA.  
HUBERT H. HUMPHREY, MINN.  
MIKE MANFIELD, MONT.  
WAYNE MORSE, OREG.  
RUSSELL B. LONG, LOUIS.  
ALBERT GORE, TENN.  
FRANK J. LAUSCHE, OHIO  
FRANK CHURCH, IDAHO  
THURGOOD SYMINGTON, MO.  
THOMAS J. DODD, CONN.  
ALEXANDER WILEY, WIS.  
ROURKE D. HICKENLOOPER, IOWA  
THOMAS E. CAPEHART, IND.  
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JOHN J. WILLIAMS, DEL.

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## United States Senate

COMMITTEE ON FOREIGN RELATIONS

Executive Registry

62-3705

CARL MARCY, CHIEF OF STAFF  
DARRELL ST. CLAIRE, CLERK

May 1, 1962

The Honorable George W. Ball  
Under Secretary of State  
Washington, D. C.

Dear Mr. Secretary:

As the Committee on Foreign Relations began mark-up of the Foreign Assistance Bill, a number of policy questions were raised which will need to be answered before the bill can be reported from the Committee. The Committee would like to have answers in writing to these questions, and it may then be necessary to examine answers in additional hearings with appropriate witnesses.

The questions raised in the following paragraphs are illustrative of basic problems which concern members:

### Policies with respect to Latin America.

1. Cuba. What is our policy with respect to Cuba? Is there pressure from within the Executive Branch for a military settlement of that problem? What comments does the Administration have on the testimony of former Ambassador Spruille Braden on the aid bill? To what extent is the United States Government, by open or covert means, encouraging the military training in the United States of Cuban refugees? How many refugees are in training? Where? Are they in violation of any law or treaty? What rules, regulations, or policies are applicable to granting sanctuary to these refugees? What is the estimated annual federal cost for maintenance, education, etc., of Cuban refugees in the United States? Is the United States assuming any expense for maintenance or training of Cuban refugees in other Latin American countries? What is the role of the CIA vis-a-vis our Cuban policy?

2. Expropriation. The Administration opposes inclusion in the bill of language prohibiting furnishing assistance to governments which expropriate American



Under Secretary Ball

- 2 -

May 1, 1962.

properties without just compensation. Does this mean we fear a "hard line" will drive Latin American countries toward Castroism? Is it true that without strong expropriation language substantial U. S. private investment in Latin America will tend to dry up? What does the Administration believe would happen in Brazil if Brazil were informed that governmental aid would be terminated until satisfactory arrangements had been made for compensation for expropriated properties?

By what reasoning does the Administration justify opposition to expropriation language at the same time it seeks to double in size funds available for all risk guarantees?

3. Guatemala. What is the full story regarding the proposed visit, and cancellation, of President Ydigoras? Was his visit promoted by a public relations or other lobby interest? Did the Administration want him to come? Why was his visit cancelled? Was the cancellation related in any way to the feeling that his presence was not desired? What is the role of the CIA in Guatemala at this time?

#### South Asia.

1. India is scheduled for 1963 to receive \$815 million of various forms of U. S. assistance. Pakistan is to receive \$288 million. Why should we not assist countries which stand with us in opposing aggression? It is true; is it not, that a substantial number of nations believe that the size of American assistance programs tends to depend in inverse ratio on the degree of their friendliness toward the United States? Why is this? Is it based on fact?

What would be Indian reaction to a 20 to 50 per cent reduction in U. S. aid for 1963?

There may be more questions of this type before we complete work on the aid bill. It would be most helpful to have the Administration answers as soon as possible and in sufficient number to make a copy available to each member of the Committee.

Sincerely yours,

J. W. Fulbright  
Chairman

J. W. FULBRIGHT, ARK., CHAIRMAN  
JOHN SPARKMAN, ALA.  
HUBERT H. HUMPHREY, MINN.  
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Executive Registry

62-2849

## United States Senate

COMMITTEE ON FOREIGN RELATIONS

CARL MARCY, CHIEF OF STAFF  
DARRELL ST. CLAIRE, CLERK

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The Honorable George W. Ball  
Under Secretary of State  
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Under Secretary Ball

- 2 -

May 1, 1962

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Sincerely yours,

J. W. Fulbright  
Chairman

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| 1  | <del>Mr. Larry Houston</del> |              |                |
| 2  | ER - File                    |              |                |
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DEPARTMENT OF STATE

EXECUTIVE SECRETARIAT

Executive Registry

May 2, 1962

62-2899/1

FOR: The Honorable  
John A. McCone  
Director, CIA

FROM: L. D. Battle *WB*  
Executive Secretary


Mr. U. Alexis Johnson will be  
calling you about the attached  
letter.

White Paper on  
Saves

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DEPARTMENT OF STATE  
DEPUTY UNDERSECRETARY

A handwritten signature in dark ink, appearing to read "J. Edgar Hoover". The signature is stylized with a large "J" and "H".

Mr. McCone